

**COMMONWEALTH OF MASSACHUSETTS  
BEFORE THE  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Inquiry by the Department of )  
Telecommunications and Energy, on its )  
motion, pursuant to G.L. c. 164 § 1F to )  
investigate the use of the New England )  
Generation Information System )

**D.T.E. 03-62**

**COMMENTS OF  
SELECT ENERGY**

By order issued in this proceeding, the Department of Telecommunications and Energy (“Department”) opened an inquiry to investigate the use of the New England Generation Information System (“NE-GIS”) for purposes of complying with the Department’s Information Disclosure Requirements. In its order, the Department invited interested parties to submit written comments on its proposal to require licensed competitive suppliers in the Commonwealth to use the NE-GIS as the sole basis for the fuel source, emissions and labor information required to be provided in their information disclosure labels pursuant to 220 C.M.R. § 11.06, et seq. Select Energy, Inc. (“Select”), hereby files the following comments.

Select is both a wholesale supplier of Standard Offer and Default Service in Massachusetts and is a licensed supplier in the Commonwealth. In addition, Select is a leading supplier of Standard Offer and Default-type services to utilities in New England and PJM, as well as a major retail supplier of competitive electricity and natural gas throughout the region. Moreover, Select has unit entitlements to generating facilities in Massachusetts owned by its affiliate, Northeast Generation Company. As a result, Select is familiar with

both the New England GIS and Massachusetts' disclosure label requirements, and believes that it is qualified to address the questions raised in this proceeding.

The following discussion follows the Department's specific requests for comments as set out in its order.

#### Specific Requests for Comments:

The Department is requesting comments on whether it should direct licensed competitive suppliers in Massachusetts to use NE-GIS as the sole basis for the fuel source, emissions and labor information on disclosure labels.

Select generally agrees with the Department's proposal to utilize the NE-GIS to track the information that is reported in meeting disclosure label requirements. The proposal will provide an efficient means of disclosure label reporting, provide consistency between various reporting requirements and hopefully simplify annual disclosure reports. The Department, however, needs to recognize that there are limitations to the current GIS system. For example, GIS reporting is voluntary. Therefore, some resources are not captured in the GIS reporting system, and proxy information may be substituted for resource-specific information. In addition, power imported from remote renewables with intermittent availability (e.g., wind power) may not be reflected on GIS reports. Therefore, in fashioning its rules, the Department should retain flexibility so as to facilitate inclusiveness, efficiency and

competition in the electric market from the perspective of the Commonwealth as well as a broader regional market perspective.

The Department proposes that each supplier be required to update its information disclosure label during October 2003 to include information from its GIS report for the first quarter of 2003. Thereafter, each supplier would update its label quarterly to include information from its most-recently available NE-GIS report, with such updates occurring during the month following the availability of the report. The Department seeks comment on whether this proposed schedule provides suppliers with sufficient lead time to transition to the use of NE-GIS data.

Select believes the proposed schedule is a reasonable time frame in which to comply with providing this disclosure information.

The Department seeks comment on whether a short-term exception from its regulations would be appropriate for purposes of a smooth and timely transition to the use of NE-GIS data.

Select has been carefully matching its disclosure label and GIS settlement data since the beginning of 2002 and sees no problem in transition. However, Select recognizes that the transition may be necessary for suppliers that are just entering the Massachusetts market in 2003.

The Department seeks comments on ways in which suppliers can satisfy its and DOER's reporting requirement efficiently.

Select believes that having a single system for both Disclosure Labels and Renewable Portfolio Standard ("RPS") compliance is a good idea that should provide efficiency and accuracy in tracking the disclosed information.

However, there is a disconnect between the current rules that should be corrected. The DOER has an annual RPS obligation based on annual retail MWHs served. The DTE, on the other hand, requires quarterly reporting of disclosure information. NE-GIS certificates contain information that pertain to both disclosure and RPS requirements on the same certificate. It is Select's understanding that, in response to the DTE's disclosure requirements, the NE-GIS Operating Rules were structured in such a way that the NE-GIS Certificates "retire" at the end of each quarterly trading period. This has created a liquidity problem in the trading market for NE-GIS Certificates (i.e., attributes) because annual RPS obligations aren't known until the end of the calendar year, but by then the first two quarterly NE-GIS Certificates have been retired due to the disclosure requirement.

The quarterly retirement of NE-GIS Certificates has effectively decreased their value by creating a "use it or lose it" mentality at the end of each quarter. This tends to detract from the value of certain renewable projects, such as hydro and wind, which may produce more MWH of renewable attributes in one quarter than another during a

calendar year. Allowing attributes to maintain their value for an entire year would support market efficiency as well as enhance the value of these plants and encourage the building of more such environmentally beneficial resources.

Select suggests that the DTE consider an alternative requirement for disclosure reporting. Either of the following two alternatives would allow increased certificate liquidity while maintaining the disclosure information the DTE requires:

- A. Make disclosure reporting an annual requirement on the same time schedule as RPS reporting. This would allow a full calendar year's worth of NE-GIS Certificates to be traded up through the trading deadline for fourth quarter certificates. This way, disclosure reporting and RPS reporting could be made at the same time of year to both the DTE and DOER.
- B. Create two NE-GIS Certificates for each MWH. Each certificate would have the same serial number, with one designated for disclosure purposes and the other designated for RPS purposes. The two certificates would contain the same information but the "Disclosure Certificates" would retire quarterly as is currently the procedure and the "RPS Certificates" would remain open through the fourth quarter trading interval. This would allow reporting of disclosure labels on the same basis as the current rules

require, and would allow trading of RPS attributes consistent with the RPS obligation period.

In Part III, Discussion, the notice of inquiry states, "... suppliers that offer more than one product to their Massachusetts customers would be required to include in their annual reports statements of verification by an independent auditor regarding the resource portfolio and retail sales associated with each product."

Select is not clear on the necessity of an independent audit. The NE-GIS administrator, APX, is an independent entity and has the responsibility to assure that retail load and certificates match. Select understands that NE-GIS sub-accounts are fully auditable by regulators. Select is concerned that the cost of another independent verification would load additional costs on to a product with already slim margins, and render additional products unmarketable. Therefore, the need for an independent audit when more than one product is marketed seems to be unwarranted and would tend to discourage suppliers from offering more than one product to the public. Select believes that the DTE should not erect such hurdles to product innovation.

The Department has invited comment on the fact that labels currently identify imported power as a separate power source within a supplier's resource portfolio, without identifying the fuel source of the import. NE-GIS allows suppliers to purchase certificates from specific generating units located outside of the New England Control Area, provided the suppliers meet certain requirements. However, under the current rules, if a supplier purchases

certificates from a wind resource outside the ISO-NE Control Area, the purchases would be listed on the supplier's label as an import, not as wind resource, even though the certificate specifies the fuel source as wind.

The NE-GIS Operating Rules require, among other things, that imports have an associated NERC Tag in order to have a NE-GIS Certificate created with specific unit attributes. A NERC Tag requires that energy from a generating unit match the physical schedule of energy imported over a Control Area interface. This works well for a generator, like a landfill methane-gas generator, whose energy output can be scheduled. It does not work at all for intermittent generation resources such as wind power where output cannot be scheduled. Although the NE-GIS allows for imports of renewable resources, for all practical purposes the NERC Tag requirement is a hurdle that renewable imports can not meet. As a result, imports from such renewables receive Certificates based on the average system characteristics of the exporting region.

ISO-NE is working on a mechanism for Virtual Regional Dispatch ("VRD") where the NYISO and ISO-NE would control the tie line interface to reduce price disparity between the two regions. This would effectively eliminate the need for Participants to physically schedule their external transactions. This may, in turn, lead to the elimination of NERC Tags for imports to the New England Control Area from New York and thus may eliminate the barrier for NE-GIS Certificates for renewable

energy purchased from New York, thereby creating a more efficient and liquid NE-GIS Certificate market.

Market Participants who support the NEPOOL GIS initiative believe that the goal of supporting new renewable resources and resources with superior emission characteristics are enhanced with the reduction of market barriers. Select would encourage the DTE to support the elimination of barriers that keep wind renewable resources out of the New England GIS Certificate market.

Retail suppliers are required to provide disclosure labels to their customers quarterly. The Department seeks comment on whether this requirement can be effectively satisfied through website postings, supplemented by fewer annual mailings (and possibly quarterly mailings upon customer request).

Since the beginning of retail electric choice in the Commonwealth, Select has complied with the quarterly disclosure label requirement. During this period, Select has found that the disclosure label has produced limited reaction from its primary market segment; large commercial and industrial customers. Despite its conformance with the regulation and the significant costs incurred in the development and mailing of thousands of disclosure labels to its customers, Select has received virtually no customer feedback regarding its disclosure label and its related price, fuel source, emissions and labor information.

Therefore, although Select fully agrees with the consumer protection objectives of the



disclosure label regulation, Select suggests that the Department consider other approaches that can effectively satisfy the spirit and intent of this regulatory requirement.

Select recommends that the Department consider, in lieu of the distribution of a hard copy version of the disclosure label, that licensed suppliers be permitted to electronically post their quarterly disclosure labels on their websites and the Department's and DOER's homepages. The label could be posted in a "pdf." format that can be viewed, downloaded and/or printed by the end-use consumer. This process has worked effectively in New Jersey and could be adopted for use in Massachusetts as well. Moreover, upon request, Suppliers could provide a hard copy of their disclosure label to customers.

## **Conclusion**

Wherefore, for the foregoing reasons, Select respectfully submits the foregoing comments in this proceeding.

Respectfully submitted,

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